

BEFORE THE HEARINGS COMMITTEE

IN THE MATTER

of hearings on submissions concerning the
proposed One Plan notified by the Manawatu-
Wanganui Regional Council

Economic Data
On behalf of Federated Farmers of New Zealand Inc

1. INTRODUCTION

My qualifications/experience

Full name:	Rob Davison
Present Position:	Executive Director
Present Employer:	Meat & Wool New Zealand Economic Service
Present Work address:	Meat & Wool New Zealand, P O Box 121, Wellington

Academic qualifications:

B Ag Com [Hons]

Years as a practicing Economist: 35

Honours / distinctions/membership societies, institutions, committees:

Fellow (2007) of the NZ Institute of Primary Industry Management and a Registered Farm Management Consultant.

Member of the NZ Agricultural and Resource Economic Society and was President in 1989.

Honorary life member New Zealand Institute of Agricultural Science and was President in 1984.

Professional positions held:

Currently Executive Director of the Meat & Wool New Zealand Ltd's Economic Service, a position held since 1989 under various forms of ownership. Previously held positions were Chief Economist, Economist and Research Officer in the same organisation.

Present Economic speciality:

The Meat & Wool New Zealand Economic Service produces a stream of regular published forecast reports throughout the year and irregular papers on the meat and wool sector performance and production matters. To carry out this work the Economic Service carries out an annual Survey of Sheep and Beef Farms and has done so since late 1950s. The Survey captures annually some 900 data items on each farm and covers, livestock numbers, physical inputs and physical production, revenue, expenditure and financial structure of each farm. This forms the basis for production forecasts and understanding of profitability that drives future production.

2. I have read the Environment Court's practice note "Expert Witnesses – Code of Conduct" and agree to comply with it.

My role in the One Plan

I have not been directly involved in the development of the One Plan. I have undertaken analysis and reporting in relation to Farm Gate Revenue used to describe the output and economic activity farming generates in the Manawatu-Wanganui Region.

Scope of Evidence

4. My evidence will briefly summarize the analysis and reports I have undertaken in relation to the effect of a 10% fall in production, say for regulatory reasons, on Farm Gate Revenue.

2. SUMMARY OF EVIDENCE

I have authored the following:

Horizons Pastoral Sector (Table 1) - summary. This spreadsheet summarises for the Horizons Regional Council hinterland Farm Gate Revenue from Sheep and Beef, and Dairy farming.

Farm Gate Revenue is used to describe the output and economic activity farming generates in the Manawatu-Wanganui (Horizons) Region. For 2006-07 at the Farm Gate, Gross Farm Revenue was \$1.004 billion with 53% from Sheep and Beef Farming and 47% from Dairy Farming. In turn, this Gross Farm Revenue is spent in the Horizons region to operate farms and the net after this is spent by the farm family on their living expenses. Each dollar of revenue at the farm gate generates \$2.82 of economic activity largely in the region to total \$2.832 billion. This down stream and upstream activity includes all the processing, handling and transport of farm production, farm inputs and services to run the farm and family living expenditure. These all flow into generated economic activity and employment in the region.

Keep in mind several factors:

(1) 2006-07 was the second poor year for Sheep & Beef Farm businesses with very low profit. Drought in 2007-08 has further exacerbated low profitability for the third successive year.

(2) A 10% fall in production, say for regulatory reasons, would cut Farm Gate Revenue similarly and at 2006-07 prices cut \$283 million economic output from the region.

The key question is what would replace this?

Conversely if farm productivity (or prices) rise 10% this would create \$283 million of extra activity in the region.

Horizons Pastoral District (Table 1). This contains the same data as in the first table but splits this out into Horizons District Councils. This table highlights the relative importance sheep and beef farming and dairy farming in different Districts. An added item at the foot of the table shows for 2006-07 Horizons Pastoral Sector Gross Output per capita at \$12,900 and per household at \$40,500.

Number of Farms (Table 2). The Meat & Wool New Zealand Economic Service estimate is that there are 2,030 commercial sheep and beef farms in the Horizons region and from Livestock Improvement Corporation (LIC) data 885 dairy farms. In total around 2,915 pastoral farm businesses generate \$2.8 billion gross economic

activity in the Horizons region or just under \$1 million per farm (\$975,000) in 2006-07 price terms.

A handwritten signature in cursive script, appearing to read "Rob Davison". The signature is written in black ink on a white background.

Rob Davison

June 2008

TABLE 1.

Horizons Regional Council - Pastoral Sector Output at Farm Gate & Total Activity \$m									
EGM 29/04/2008	2005-06	2006-07							2006-07
	Total	Ruapehu	Wanganui	Rangitikei	Manawatu	Palm Nth City	Tararua	Horowhenua	Total
Farm Gate Revenue	\$m								\$m
Sheep	344	66	35	92	43	2	87	6	331
Beef Cattle	160	30	16	40	26	3	29	5	149
Deer	4	2	1	2	2	0	1	0	9
Other	32	10	5	13	7	1	11	1	47
Sheep & Beef Farm	540	108	56	148	78	6	128	13	537
Dairy	409	13	12	51	142	24	156	69	467
Total \$m	948	121	68	199	220	30	284	82	1,004
% Sheep & Beef	57%	89%	83%	75%	35%	20%	45%	15%	53%
% Dairy	43%	11%	17%	25%	65%	80%	55%	85%	47%
Pastoral Sector Total Activity \$m¹	\$2,695	\$367	\$205	\$586	\$597	\$79	\$786	\$212	\$2,832
Livestock 000's									
Sheep	6,319	1,308	683	1,822	854	48	1,708	117	6,541
Beef Cattle	662	135	71	179	114	12	128	23	661
Deer	131	25	11	30	28	6	13	5	118
Dairy Cattle	374	9	20	35	116	15	110	55	361
Total	7,485	1,477	785	2,067	1,112	81	1,959	200	7,681
1 farm gate revenue expended + input supply (e.g., fertiliser, fence posts) and downstream (e.g., processing, transport, farm family expenditure) = total activity \$m									
Horizons Pastoral Sector Gross Economic Output									
Population		220,000	\$12,900	per head					
Households		70,000	\$40,500	per Household					
Source: Meat & Wool New Zealand Economic Service									
MW1018									

TABLE 2.

EGM				
14/03/2008 ref MW1018				
Pastoral Sector Output \$m				
(Ruapehu, Wanganui, Rangitikei, Manawatu, Palmerston North City, Tararua, Horowhenua)				
	2005-06	2006-07	2005-06	2006-07
Farm Gate Revenue	\$m	\$m	%	%
Sheep	344	331	36%	33%
Beef Cattle	160	149	17%	15%
Deer	4	9	0%	1%
Other	32	47	3%	5%
Sheep & Beef Farm	540	537	57%	53%
Dairy	409	467	43%	47%
Total \$m	948	1004	100%	100%
Pastoral Sector Total Output				
\$m	2,695	2,832		
<small>(i.e., + input supply and downstream economic activity from farm gate revenue expended)</small>				
<small>Source: Institute of Economic Research</small>				
	2.84	2.82		
Livestock 000's				
Sheep	6,319	6,541		
Beef Cattle	662	661		
Deer	131	118		
Dairy Cattle	374	361		
Total	7,485	7,681		
<small>Source: Meat & Wool New Zealand Economic Service</small>				
<small>MW1018</small>				